

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

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COMPETITIVE PRODUCT PRICES  
INTERNATIONAL BUSINESS REPLY SERVICE COMPETITIVE  
CONTRACT 3 (MC2011-21)  
NEGOTIATED SERVICE AGREEMENT

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Docket No.  
CP2018-193

**NOTICE OF THE UNITED STATES POSTAL SERVICE OF THE ACTIVATION OF  
THE CONTINGENCY RATES SET FORTH IN AN  
INTERNATIONAL BUSINESS REPLY SERVICE COMPETITIVE CONTRACT 3  
NEGOTIATED SERVICE AGREEMENT**

(April 14, 2020)

The United States Postal Service (Postal Service) hereby gives notice of the activation of the contingency rates set forth in Article 27 of the International Business Reply Service (IBRS) contract (Agreement) that is the subject of this docket, effective upon the expiration of the Agreement on April 30, 2020.

The Postal Service acknowledges that in Order No. 4570, in which the Postal Regulatory Commission (Commission) included the Agreement in the IBRS Contract 3 product,<sup>1</sup> the Commission stated the following.

*Rate changes.* The Agreement, like previous IBRS competitive agreements, includes clauses addressing cost increases and contingent pricing that allow the Postal Service flexibility to change rates without entering into a new agreement. The Commission addressed the implications of contingency pricing clauses in Order No. 178 and concluded that the Postal Service must file notice of rate changes occurring under such clauses pursuant to 39 C.F.R. § 3015.5 and provide a minimum of 15 days' notice.<sup>2</sup>

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<sup>1</sup> PRC Order No. 4570, Order Approving Additional International Business Reply Service Competitive Contract 3 Negotiated Service Agreement, Docket No. CP2018-193, April 9, 2018, at 6.

<sup>2</sup> PRC Order No. 4570, at 5.

However, Order No. 178 concerned an IBRS 1 contract that included an Article 16 concerning Contingency Rates that included the following.

In the event that either the Mailer or the USPS terminates this Agreement under the terms of Article 13 before the normal expiration date, or in the event that the Mailer and the USPS do not enter into a customized agreement upon the expiration of this current Agreement, the Mailer shall pay postage for any Qualifying Mail the USPS receives after the agreed upon termination date or expiration date, as appropriate, at a price of [REDACTED] for a period of six (6) months. This price shall have no bearing on the price the USPS shall charge in the event that the Mailer and the USPS do enter into a customized agreement upon the expiration of this current Agreement. In the event that the Mailer and the USPS have not entered into a new customized Agreement within six (6) months of the termination or expiration of this current Agreement, the USPS shall charge the Mailer a price to be determined at its sole discretion for those items received after the six (6) month date.<sup>3</sup>

Article 16 from the IBRS 1 contract quoted above mentions the USPS determining contingency rates. In contrast, Article 27 of the Agreement specifically sets forth the contingency rates to go into effect upon expiration of the Agreement.<sup>4</sup>

When the Commission reviewed the rates and accompanying financial workpapers filed by the Postal Service in this docket, the Commission also reviewed the contingency rates set forth in Article 27 of the Agreement. Thus, by this notice, the

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<sup>3</sup> Response of the United States Postal Service to Order No. 164, and Notice of Filing Redacted Contract and Other Requested Materials, Docket Nos. MC2009-14 and CP2009-20, January 12, 2009, at Attachment 1, Article 16.

<sup>4</sup> Article 27 of the Agreement states that "in the event that the Mailer and the USPS do not enter into a customized agreement concerning International Business Reply Service from Canada upon the expiration of this current Agreement, the Mailer shall pay postage for any International Business Reply Service Qualifying Mail the USPS receives after the agreed upon termination date or expiration date, as appropriate, at a price that is twice the price listed in Annex 1." See Notice of the United States Postal Service Filing of a Functionally Equivalent International Business Reply Service Competitive Contract 3 Negotiated Service Agreement, Docket No. CP2018-193, March 29, 2018, at Attachment 1, Article 27.

Postal Service furnishes notice to the Commission of the activation of the contingency rates set forth in Article 27 of the Agreement.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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